

Personal Current Tax Receipts

Personal current tax receipts is tax receipts (net of refunds) that are made by persons and that are not chargeable to business expense.^{1/}

Personal current taxes includes taxes on income, including realized net capital gains, and on personal property.^{2/} Also included in personal current taxes are personal licenses. Contributions for government social insurance are not included.

The state estimates of personal current tax receipts are described in four sections: (1) personal current taxes to the Federal Government, (2) personal current taxes except personal property taxes to state governments, (3) personal current taxes except personal property taxes to local governments, and (4) personal property taxes to state and local governments.

Personal Current Taxes to the Federal Government

Personal current taxes by individuals to the Federal Government consists of individual income tax payments including tax payments on income retained by fiduciaries on behalf of individuals. These payments accounted for about 78.9 percent of total personal tax payments at the national level in 2002 (table H).

1. In the 2003 benchmark revision, personal nontaxes were renamed current transfer payments to government and are now included in personal outlays. Therefore, disposable personal income is now equal to personal income minus personal current tax receipts. Personal nontax payments consisted mainly of donations, fines and forfeitures.

2. Personal current tax receipts excludes payments of taxes on real property and payments of sales taxes. Taxes on real property paid by persons, except in the real estate business, are excluded because they are considered business expenses that are deducted from both gross monetary rental income and gross imputed rental income in the derivation of net rental income. Sales taxes are excluded because they are included in personal consumption expenditures.

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The national estimates of the personal current taxes and refunds are based mainly on data from the Treasury Department's Monthly Treasury Statement, supplemented with data on withheld social security taxes from the Social Security Administration.

Individual income taxes--These payments are income tax payments, net of refunds, made by individuals. The gross payments measure represents the sum of the income taxes that are withheld, usually by employers, from wages and salaries, the quarterly payments of estimated taxes on income that is usually not subject to withholding, and final settlements, which is additional tax payments that are made when the tax returns for a year are filed or as a result of audits.

The state estimates of the tax receipts and refunds for 1990 and later years were prepared in three steps. First, estimates of the net income tax payments were prepared using tabulations of data reported on individual income tax returns and published in the Spring editions of the IRS's quarterly Statistics of Income Bulletin. For 1990-95 for each state, the first approximation of net tax receipts, *NTR*, was calculated as

$$NTR = TTL - (EITC - XEITC) - SSSE$$

Where: TTL = Total tax liability

$EITC$ = Earned income tax credits

$XEITC$ = Excess, or refundable, portion of EITC/3/

$SSSE$ = Social Security and medicare tax payments by the self-employed.

For years 1996 through 2001 /4/ for each state, the first approximation of net tax receipts was calculated as

$$NTR = IT - (EITC - XEITC)$$

Where: IT = Income tax, a statistic similar to TTL but excluding $SSSE$ as well as several types of penalties that are not included in the definition personal current taxes.

The 2002 state estimates of net federal income taxes were based on extrapolations of the 2001 liability-based estimates by the relative changes in the estimates of wage and salary disbursements.

3. XEITC is the total of the amounts by which the EITC exceeds the tax liability on the returns claiming EITC. It is included in the IRS overpayment data, but in the national accounts it is treated as a transfer.

4. The preliminary estimate for 2002 was modified to adjust the IMF estimates to a Acash basis@ because the national control was Aflat@ on a cash basis but fell by about 14 percent on a liability basis.

Second, the estimates of the refunds of income tax payments were prepared. For each state, the first approximation of tax refunds, REF^n , for year n was calculated as

$$REF^n = OPT^{n-1} - XEITC^{n-1}$$

Where: OPT = Overpayment of taxes.

The national estimate was then allocated to states in proportion to the first approximations.

Third, the estimates of the gross income tax payments were calculated as the sums of the estimates of net income tax payments and the estimates of the refunds.

Current tax receipts on income retained by fiduciaries.--These receipts consist of the taxes that are paid on the income that is received by a fiduciary on behalf of an individual and that is retained by the fiduciary rather than distributed to the individual.

Because state-level data for these receipts are unavailable, the national estimates are allocated to states in proportion to the sum of the dividends, taxable capital gains and taxable interest received by individuals, as reported on IRS form 1040.

Personal Current Taxes Except Personal Property Taxes to State Governments

Personal current taxes --other than personal property taxes--by individuals to state governments consist of payments for individual income tax payments, motor vehicle and operator licenses and other licenses and taxes. These payments accounted for about 18.7 percent of personal current tax receipts at the national level in 2002 (table H).

The national estimates as well as the state and local estimates are based mainly on data from the Census Bureau's Quarterly State and Local Tax Collections. Quarterly tax estimates are annualized and controlled to Census' Government Finances fiscal year estimates.

Individual income taxes.--These payments are income tax payments by individuals after refunds. The state estimates are based on the estimates from the Census Bureau's Quarterly Summary of State and Local Tax Revenues, Government Finances and State Government Tax Collections (SGTC). Current year estimates are based mainly on quarterly data for the net individual income tax collections of each state government. These data are supplemented by individual state data./5/

Personal current taxes for motor vehicle and operator licenses and for other licenses.—Personal current taxes for motor vehicle and operator licenses are distributed by state based mainly on pertinent annual state data from Census Bureau's SGTC supplemented by Federal Highway Administration data. The motor vehicle license fees paid by business are excluded from the SGTC data with state-specific ratios determined from Federal Highway Administration data for 1996.

Personal current taxes for other licenses consist of the estimates of the fees that are paid to state government agencies for hunting and fishing licenses for personal, rather than commercial, use and the estimates of the fees for other noncommercial licenses, such as those for the registration of pleasure boats and aircraft.

The state estimates of these license fees are based on data for both the noncommercial and the commercial fees from SGTC./6/

5. The Census Bureau's Quarterly Summary of State and Local Tax Revenues contains preliminary estimates of quarterly taxes for local property taxes and state taxes by type of tax. For some states, these quarterly estimates prove to be inconsistent with the fiscal year estimates reported in Census' SGTC.

6. These data consist of the payments by both individuals and businesses, and the payments by individuals cannot be distinguished from those by businesses. Thus, the state estimates reflect the assumption that the geographic distribution of the payments by businesses and by individuals is the same as the national split.

Personal Current Taxes Except Personal Property Taxes to Local Governments

Personal current taxes--other than personal property taxes--by persons to local governments consist of the estimates of individual income tax payments, of payments for motor vehicle registration licenses, and of payments of miscellaneous taxes.

These payments accounted for over 1.9 percent of total personal tax payments at the national level in 2002 (table H).

The national estimates are based mainly on data from the Census Bureau's annual publication Government Finances.

Individual income taxes.--The 1997 state estimates of these payments are based on data from the 1997 Census of Governments. The estimates for 1998 forward were extrapolated from the 1997 estimates based mainly on data from the 1997-99 files for Government Finances. For 2000-2002, data obtained directly from the local finance agencies of New York and the District of Columbia were used to prepare the first approximations for those areas. First approximations for the remaining 11 states with local income tax were estimated using judgmental trends.

Motor vehicle taxes.--The state estimates of taxes levied by local governments on owners or operators of motor vehicles--including for the registration and inspection of the vehicles but excluding personal property taxes--are based on state data for the taxes from Government Finances.^{7/}

Miscellaneous taxes.--Miscellaneous taxes consist largely of the estimates of the payments of the fees for marriage licenses, the fees for the registration of pleasure boats, and

7. See footnote 5.

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the fees for licenses for pets. The state estimates of these fees and taxes are based mainly on data for local government "Other taxes" from Government Finances.

Personal Property Taxes to State and Local Governments

These payments consist of the payments of taxes on the tangible and intangible personal property of individuals.

These payments accounted for about 0.5 percent of total personal tax payments at the national level in 2002 (table H).

The national estimates of these payments are based mainly on data from the Census Bureau's annual Government Finances.

The state estimates of the personal current taxes to state and local governments are combined because the data to allocate these payments to each level of government are not available. The state estimates are based on unpublished IRS data for personal property tax payments, which is provided by individuals who itemize their deductions on their Federal individual income tax returns.